troop

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[redacted]

February 17, 2022

Vanessa A. Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File S7-07-15, Pay versus Performance

Dear Ms. Countryman:

I write on behalf of Troop regarding the Securities and Exchange Commission's (SEC) proposed rule to require registrants to express how the executive compensation actually paid by the registrant is related to the financial performance of the registrant through both tabular and narrative disclosure (the "Pay versus Performance Rule"). We are grateful for the opportunity to comment on the proposed Pay versus Performance Rule.

Troop is an activist investing platform that connects retail shareholders with activist funds & shareholder advocacy groups. The platform is a place for activist funds and/or shareholder advocacy groups to list ongoing activist investing campaigns, so that retail shareholders can participate, either by buying shares of the targeted company, or by assigning proxy voting rights to the activist campaign organizer.

Executive compensation is an important issue to investors, retail and institutional alike. An executive who is improperly compensated can be a drain on corporate resources and costly to shareholders.

The Pay versus Performance Rule has the potential to make it easier for investors to make this determination by requiring companies to provide more data and greater transparency around their executive compensation, including the factors considered by corporate boards when setting compensation and the linkage between compensation and performance. Therefore, we recommend that the proposed Pay versus Performance Rule be adopted.

In a landmark 10-year study on 429 large-cap U.S. companies, researchers found that the companies that chose to award their CEOs with higher equity incentives ended up having "below median returns."[1] These results point to a "potential misalignment of interest" between CEOs and shareholders seeking long-term value.[2] Poignantly, this study illustrates the need for greater scrutiny of executive compensation by long-term shareholders and accessibility to long-term data in corporate filings.

We would like to provide the following comments to several of the specific questions posed by the SEC in its request for commentary:

- We believe that investors would find it useful to have pre-tax net income and net income presented in tabular format alongside the other required metrics for ease of reference and to aid the evaluation of compensation.
- We believe that mandated disclosure of the Company-Selected Measure would be useful to investors when placed alongside the required metrics for ease of reference and to aid the evaluation of compensation. Further, we think it's important for registrants to provide metrics for multiple years to allow adequate analysis for shareholders concerned with long-term value. If allowed to change the Company-Selected Measure from year-to-year, registrants should be required to separately disclose the Company-Selected Measures used in prior years and to explain the shift in primary performance measures.
- We believe that voluntary disclosures are not sufficient; rules (such as the Pay versus Performance Rule) are required to ensure that all registrants provide sufficient information to shareholders and to ensure a minimum level of uniformity across registrants.
- We believe that SRCs should not receive an exemption from any of the requirements of the proposed Pay versus Performance Rule. Corporate governance is just as important in SRCs as they are in larger companies. Alarmingly, a recent study published in the Yale Law Journal reveals a stark "corporate governance gap" between large, high-profile corporations and smaller, less-scrutinized corporations.[3] Any contemplated exemption has the potential to contribute to this gap.
- We recommend that the SEC consider mandating sustainability metrics as another measure of company performance. There is strong evidence that sustainability

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[1] https://www.msci.com/documents/10199/91a7f92b-d4ba-4d29-ae5f-8022f9bb944d
[2] *Id.*
[3] https://corpgov.law.harvard.edu/2022/02/01/the-corporate-governance-gap/

measures increase shareholder value.[4] Given the current climate crisis, shareholders are increasingly concerned about long-term sustainable value creation. Only a minority of registrants has so far responded to this rising pressure by linking compensation to sustainability metrics.[5] We believe that mandating sustainability metrics will help investors evaluate executive compensation and company performance in a more comprehensive and forward-looking way.

- We recommend that the SEC consider mandating gender pay gap metrics as another measure of company performance. In 2020, according to the U.S. Department of Labor, women earned 82 cents for every dollar a man earned.[6] While studies show that companies with higher gender parity at the executive level are more likely to outperform on profitability,[7] a "broken rung" at the first step up the management level for women persists, with women promoted at far lower rates than men.[8] Women managers bring value and help foster a positive work environment; in one study, employees with women managers were more likely to report receiving help and support from their managers.[9] Employees are happier, less burnt out, and less likely to leave their jobs when they feel supported by management.[10] Since 2017, the UK government has required public companies in the UK to publish an annual gender pay gap report with associated metrics, providing shareholders greater transparency on gender parity efforts (or lack thereof) in its markets.[11]
- We recommend that the SEC consider mandating diversity, equity, and inclusion ("DEI") metrics as another measure of company performance. Increasingly, members of the public as well as shareholders are demanding that companies release data on their efforts and commitment to DEI. According to PwC, having a diverse workforce can drive better outcomes that enhance business growth and brand reputation.[12] However, many companies refuse to report DEI metrics, hampering transparency and making it difficult, if not impossible, for shareholders to ascertain where the company stands in terms of DEI. While some companies are including a diversity metric in their compensation programs (one-third of the companies in the S&P 500 as of spring 2021), the majority are not.[13] Mandating DEI metrics would bring transparency into this issue and provide

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[4] https://dash.harvard.edu/bitstream/handle/1/14369106/15-073.pdf
[5] https://www.pwc.com/gx/en/issues/esg/exec-pay-and-esg.html
[6] https://blog.dol.gov/2021/03/19/5-facts-about-the-state-of-the-gender-pay-gap
[7] https://www.aauw.org/resources/article/business-case-for-gender-equity/
[8] https://www.mckinsey.com/featured-insights/diversity-and-inclusion/women-in-the-workplace
[9] *Id.*
[10] *Id.*
[11] https://www.gov.uk/government/collections/gender-pay-gap-reporting
[12] https://www.pwc.com/us/en/services/esg/library/diversity-equity-inclusion-reporting.html
[13] https://www.wsj.com/articles/ceos-pledged-to-increase-diversity-now-boards-are-holding-them-to-it-11622626380

increasingly important information to shareholders to aid in their evaluation of executive compensation.

It is also worth noting a couple of final points that illustrate how executive compensation has far-reaching effects that go beyond the boardroom. First, we are living amid an ever-increasing inequality gap in the United States. In 1965, the CEO-to-worker compensation ratio was 21-to-1.[14] In 2020, the ratio was 351-to-1.[15] Most Americans today believe that their children will be financially worse off as adults than their parents, and with good reason.[16]

Relatedly, the Great Resignation has revealed just how damaging corporate decisions that undervalue workers through stagnant wages and negative work environments have been on their morale and loyalty. A record 4.5 million Americans left their jobs in November 2021, the highest in two decades.[17] Companies continue to grapple with ongoing labor shortages, with many now realizing belatedly that they need to offer better compensation to attract and retain workers. These hard lessons are not without high corporate costs that could have been avoided; employee turnover is expensive in terms of both company time and money, and it can further erode the productivity and morale of the workers who stay.

In closing, we would like to express our gratitude again at the opportunity to comment on the proposed Pay versus Performance Rule. We think that shareholders seeking long-term value will welcome the increased transparency surrounding executive compensation.

Sincerely,

Felix Tabary
Co-founder & CEO, Troop Inc.

[14] https://www.epi.org/publication/ceo-pay-in-2020/
[15] *Id.*
[16] https://www.cnbc.com/2021/07/21/many-americans-think-children-will-be-financially-worse-off-than-their-parents.html
[17] https://www.bls.gov/news.release/jolts.nr0.htm